

Brussels, 9 February 2011

Update on transitional measure: EU ETS registry system

Following the suspension from 19 January 2011 of transactions, except for the allocation and surrender of allowances, in all EU ETS national registries, the European Commission has finalised its review of the report from the national registry of Portugal on the adequacy of its security measures.

With the report submitted, Portugal has given reasonable assurances that the minimum security requirements are in place. Therefore the national registry will resume normal operations on 11 February 2011 at 8am CET.

Cooperation with national authorities is constructive and the Commission expects several more reports to be submitted in the coming days.

The Commission will continue to provide updates on the situation and will announce the planned re-activation of each national registry 24 hours in advance.

Questions and answers

1. What minimum security requirements must national registries fulfill?

The minimum security requirements are confidential. They are similar to those applied for other sensitive IT systems, like electronic banking systems. The requirements are designed to ensure that every company holding allowances in a national registry enjoys an adequate level of security to protect the allowances against online fraud.

2. Does the extended suspension for a number of registries not disturb the carbon market and disadvantage some market participants?

As the overwhelming majority of trading is in futures, which does not involve the immediate delivery of allowances to registries, the suspension in practice affects only the spot market. This accounts for less than a fifth of the normal daily market volume. The suspension has furthermore had no significant effect on market prices.

While transactions in some national registries remain suspended, market participants can make use of the futures market, which offers higher protection, as it falls under EU financial market regulation.

3. How long will it take for all national registries to be operational again?

We can provide no estimate at this stage. This is in the hands of individual Member States, which have to mobilise the resources to upgrade security where needed. To underline the importance of this, Connie Hedegaard, European Commissioner for Climate Action, has written to all ministers to urge swift follow-up and implementation of the guidance on security requirements.

4. Will the European Commission disclose further details of unauthorised transfers of allowances, including serial numbers of the allowances affected?

No, the Commission has no authorisation under relevant legislation to disclose such details, nor has it been provided with complete information by the national registries affected. While it does support national law enforcement agencies, the Commission has no investigative powers to follow up the thefts.

5. What happens to allowances transferred without authorisation?

The recovery of any allowances which are claimed to have been transferred fraudulently has not been harmonised, and is therefore a matter for national law and national law enforcement authorities. Generally, allowances continue to represent legally valid and tradeable compliance instruments, but national civil and criminal laws have different approaches. Alternatively to the recovery of allowances transferred fraudulently, companies can also seek financial compensation for losses occurred.

6. Which Member States have already submitted a report?

In coordination with Member States, the Commission has decided not to disclose details of the reports submitted until the review of the respective report has been finalised and a date has been fixed for the national registry to resume operations. As already indicated, the Commission will announce the planned re-activation of each national registry 24 hours in advance.